Crown Corporations Council

A Manitoba Crown Corporation

Annual Report 2004

105-05255/

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Letter of Transmittal

The Honourable Greg Selinger
Minister responsible for
Crown Corporations Council
Province of Manitoba
103 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Minister:

I am pleased to submit for your consideration the Annual Report of the Crown Corporations Council for the year ended December 31, 2004.

Yours truly,

Arthur V. Mauro
Chairman

March 30, 2005

Message from the Chief Executive Officer and Chairman

The large commercial Crowns under Council's purview deliver electricity, automobile insurance and natural gas service to the people of Manitoba. In addition gaming and alcoholic products are offered within a framework of responsible use.

Council's mandate is one of facilitation to assist Crowns to meet their obligations under the Act. It is an on-going process and co-dependent on actions of other organizations involved.

Council's annual report highlights its activities in supporting Crowns in achieving and maintaining a clear mandate and purpose, having effective criteria for measuring performance and following appropriate long term corporate and capital expenditure plans.

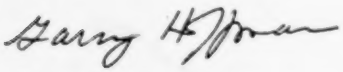
Council identifies opportunities for mandate and policy clarification, assesses performance measurement and reporting systems, reviews strategic plans and capital expenditure programs.

Council focuses on consistent practices in the areas of governance and risk management supported by a small team of five full time staff of which two are professional staff and two members are administrative support.

During the year Dr. Jerry Gray resigned from Council on his retirement as Dean, Asper School of Business. He had been a member of Council since 1997. Council thanks him for his contribution to the work of Council.

In July 2004, Ms. Becky Barrett and Dr. Glenn Feltham, Dean, Asper School of Business were appointed to Council for a three year term.

Highlights of Council's actions and reviews for the year follow. The financial statements indicate that expenses were up from prior year.



Garry M. Hoffman
President and Chief Executive Officer

Arthur V. Mauro
Chairman

Governance and Mandate

The Crown Corporations Public Review and Accountability Act (the Act) established Council and its duties. It sets out the Manitoba Crown corporations that are subject to the provisions of the Act. These Crown corporations include Manitoba Hydro, Manitoba Public Insurance, Manitoba Lotteries Corporation, Manitoba Liquor Control Commission, Communities Economic Development Fund, Manitoba Centennial Centre Corporation, and Venture Manitoba Tours Ltd.

The governing body of Council consists of eight members appointed by the Lieutenant Governor in Council. Members are chosen to serve based on statutory provisions outlined in the Act.

One member is the Dean of The Asper School of Business at the University of Manitoba or designate from that Faculty. One member is nominated by the Institute of Chartered Accountants of Manitoba. One member is a person who, in the opinion of the Lieutenant Governor in Council, represents organizations of consumers in Manitoba.

At least three members are persons who, in the opinion of the Lieutenant Governor in Council, have demonstrated management or technical expertise.

The Board set policies to fulfill the duties/mandate assigned by Section 6 of the Act. These are:

- Facilitate, in cooperation with each corporation, the development of a clearly defined mandate and a clear statement of purpose for the corporation.

- Facilitate, in cooperation with each corporation, the development of consistent and effective criteria for measuring the corporation's performance.

- Review long term corporate plans and capital expenditure proposals; ensure consistent practices among two or more corporations where appropriate.

- Provide any advice to the Lieutenant Governor in Council on those plans, proposals and practices or any other matter of policy affecting corporations that may be requested by the Lieutenant Governor in Council.

- Receive and hear submissions from any person who, in the opinion of the Council, has knowledge respecting any aspect of a corporation's activities regarding alleged failures by the corporation to comply with any Act or any policy of the Council.

Summary of Results

The following provides a summary of key actions completed in 2004 to meet our desired outcomes as outlined in Council Board policies:

Desired Outcomes	Actions Completed
Contribute to clear mandate and purpose of Crown corporations under Council's purview.	Reviews undertaken for each Crown corporation. Opportunities were identified and communicated. Risk remained unchanged from previous reviews.
Contribute to the development of consistent and effective criteria for measuring Crown's performance.	Assessment and facilitation work undertaken for each Crown corporation.
Review corporate plans and capital expenditures plans.	Annual review completed for each Crown.
Contribute to consistent practices among two or more Crowns where appropriate.	Continued to identify opportunities through on-going work and communicated best practices among Crowns.
Incorporate sustainable development principles and guidelines into all facets of its activities.	Implementation and monitoring code of practice, financial management guidelines and procurement guidelines.

Council defines its primary client as the Minister responsible for the Council and representative Ministers responsible for the Crowns under Council's purview. Satisfaction with achieving our mandate is reflected in feedback we receive on the results of our reviews and advice provided.

Accomplishments in 2004

Mandate and Purpose

"Facilitate, in cooperation with each corporation, the development of a clearly defined mandate and a clear statement of purpose for the corporation".

During the year, reviews were undertaken on all Crowns under Council's purview.

- Work on Manitoba Hydro focused on its mandate, demand side management programming, resource plans, and risk management.

- Work on the Manitoba Liquor Control Commission highlighted sustainable financial targets and Manitoba microbreweries.

- Opportunities for policy clarification related to the Manitoba Centennial Centre Corporation (MCCC) continued in the following areas:

    - As part of proposed legislative changes to the Centennial Centre Corporation Act, clear expectations of public policy and commercial outcomes for core business and ancillary services are established by Government.

    - MCCC and Government develop long-term capital requirements necessary to maintain the physical integrity and aesthetics of Centennial Centre complex facilities and commit to funding the necessary investments.

- An opportunity to improve legislative and mandate clarity and modernization of The Manitoba Public Insurance Corporation Act with the addition of accountability for Driver and Vehicle Licensing functions.

Crown Corporation Performance Measurement and Reporting

"Facilitate, in cooperation with each corporation, the development of consistent and effective criteria for measuring the corporation's performance."

In 2004, on-going assessment and reporting on the corporate performance of each Crown was undertaken. Manitoba Hydro, Manitoba Public Insurance and Manitoba Liquor Control Commission have fully developed performance measurement and reporting systems in place. Communities Economic Development Fund and Venture Manitoba Tours Ltd. have adequate systems in place in relation to their size and resources.

Gaps continue to exist in the development of high-level corporate performance indicators and targets for Manitoba Lotteries Corporation and the Manitoba Centennial Centre Corporation.

Crown Corporations Plans and Capital Expenditures

"Review long term corporate plans and capital expenditure programs."

Council completed its annual review of the Crown corporations' capital expenditure programs. Total capital expenditures of $768 million are budgeted by the Crowns for fiscal year ending 2004/05. Overall, the 2004/05 capital expenditures reviewed are consistent with the Crowns' mandates, corporate plans and strategies and in most cases reflect replacement, maintenance of business, customer growth needs and safety, legal and environmental related expenditures.

Manitoba Hydro's capital budget of $605 million comprises the most significant portion of the capital expenditures. Hydro's 2004/05 capital program is consistent with its mandate and strategic plan. Projects and expenditure levels are deemed necessary to continue proceeding with generation development opportunities and maintain system reliability, public safety, environmental sensitivity, sustainable development principles, service and power quality, and export sale commitments.

Based on the capital budget information provided by the Crowns, no major factors were identified that reflect significant risk for each Crown.

Consistent Practices

"Ensure consistent practices among two or more corporations where appropriate."

Council focuses on consistent practices in the primary areas of governance, planning, and risk management and mitigation. During 2004, our reviews found that overall the Crowns have appropriate governance and risk management processes and practices in place that are based on best practices.

Council reviewed findings of research conducted on best practices in Corporate Social Responsibility (CSR). The objective of this work is to contribute to enhancing corporate accountability in this area by the Crowns.

The research found considerable overlap of corporate social responsibility guidelines/ principles and sustainable development principles/guidelines as established by Manitoba's

Sustainable Development Act (Act). The principles and guidelines set out in the Act encompass the key elements found throughout CSR standards and practices.

Sustainable development is not a voluntary responsibility for the Crowns under Council's purview. It is a statutory obligation and the Crowns are subject to requirements set out in the Act. The principles of sustainable development and guidelines are outlined in considerable detail as Schedules A and B of the Act and encompass common elements of good corporate social responsibility that we identified through our research.

Best practice guidelines based on the legislation and current practice were communicated to the Crowns.

Council also conducted a review of Hydro's tendering policies, procedures and process related to a specific small value tender. Opportunities for improvements based on best practice were identified. Council made a number of recommendations regarding improvements to tendering policy and procedures. The improvements focus on interpretation and consistency of tender methods, transparency and disclosure, communication with bidders, and identification of environmental and safety issues.

Special Reviews

"Provide advice to Lieutenant Governor in Council that may be requested."

No special reviews were undertaken in 2004.

Submissions to Council

"Receive and hear submissions regarding alleged failures to comply with any Act or any policy of the Council."

In 2004, Council received a complaint regarding Manitoba Hydro's tendering policy, procedures and process. Council conducted a review of the matter and found no failure by the Corporation to comply with any Act or any policy of the Council. Our review identified opportunities for improvement based on best practice regarding Hydro's tendering policies, procedures and process.

Summary of Resources

Our cost of operations continue to be relatively stable.

		(thousands of dollars)
Expenses:	2004	$686
	2003	$632
	2002	$651
	2001	$866*
	2000	$623

* included $200 thousand in consultant fees to conduct special reviews.

Sustainable Development

Activities identified at Crown Corporations Council during 2004 as continuation towards achieving sustainable development are:

- Recycling surplus computer equipment to Computer for Schools program to be provided to schools and libraries to benefit education.

- Receiving a response from Toshiba of Canada regarding their environmental actions.

- Agreed to the "Powersmart" lighting program for Crown Corporations Council's office space, installed by the landlord.

- Continuing to recycle surplus binders by returning them to the Crowns. During 2005, will identify potential schools to receive surplus binders as another option.

- Continuing with recycling of newspapers, flyers, magazines, cans, bottles and milk cartons.

Crown Corporations Under Council Purview During 2004

$ Millions	Fiscal Year Ended 2004 Revenue	Net Income/ (Net Loss)
Manitoba Hydro	$1,781.0	($436.0)
Manitoba Public Insurance	808.0	37.0
Manitoba Lotteries Corporation	586.0	235.0
Manitoba Liquor Control Commission	465.0	176.0
Venture Manitoba Tours Ltd.*	4.3	(1.2)
Manitoba Centennial Centre Corporation*	4.6	0.1
Communities Economic Development Fund*	2.2	(1.5)

*The Corporation is economically dependent on funding received from the Province of Manitoba.

Members of the Council

Arthur V. Mauro, O.C., Q.C.	Chairman since 1997
Janice Y. Lederman Partner, Thompson Dorfman Sweatman	Vice-Chair since 2001
Dr. Jerry L. Gray Dean, Asper School of Business University of Manitoba	Member 1997 to 2004
Dr. Glenn Feltham Dean, Asper School of Business University of Manitoba	Appointed July 2004 Member - Audit Committee
Kent J. Haugen, FCA Partner, Business Consulting & Taxation Haugen Morrish Angers Chartered Accountants	Member since March 2002 Member - Audit Committee
Ric dela Cruz	Member since 2003
Judy A. Murphy, CA Executive Director Royal Winnipeg Ballet	Member since 2000 Chair - Audit Committee
Raymond Poirier, C.M. President B-Bel Inc.	Member since 2002
Becky Barrett	Appointed July 2004
Garry M. Hoffman President and Chief Executive Officer	Ex-Officio Member

Corporate Information

CROWN CORPORATIONS COUNCIL
1130 – 444 St. Mary Avenue
Winnipeg, Manitoba
R3C 3T1

Telephone: (204) 949-5270
www.crowncc.mb.ca

Financial Statements

Responsibility for Financial Statements

The management of the Crown Corporations Council is responsible for the preparation and presentation of the financial statements and accompanying notes. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, reviewed by the Audit Committee of the Board of Directors and approved by the Board of Directors. The statements have been examined by Ernst & Young, LLP, independent external auditors, whose opinion is included herein.

The preparation of the financial information contained in the annual report necessarily involved the use of certain estimates and judgments which have been reached based on careful assessment of data available through the Council's information systems.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the Council. Management maintains an appropriate system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements.

The Audit Committee of the Board of Directors meets periodically with officers of the Council and the Council's auditors. The auditors have free access to this Committee, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

Gary H Yamauchi

President and Chief Executive Officer

Denise Jackson

Manager, Operations Analysis

Auditors' Report

To the Members of
Crown Corporations Council

We have audited the balance sheet of **Crown Corporations Council** as at December 31, 2004 and the statement of income and reserve reflecting net investment in capital assets for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
March 3, 2005

Chartered Accountants

BALANCE SHEET

	December 31	
	2004	2003
ASSETS	(thousands of dollars)	
Current:		
Cash	$ 384	$ 465
Accounts receivable	6	7
	390	472
Capital assets (note 4)	35	5
	$ 425	$ 477
LIABILITIES AND RESERVE REFLECTING NET INVESTMENT IN CAPITAL ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 71	$ 56
Levies received in advance	140	146
Due to Manitoba Crown corporations (note 3)	76	195
	287	397
Retirement allowances and other benefits payable (notes 2(d) and 5)	103	75
	390	472
Reserve reflecting net investment in capital assets	35	5
	$ 425	$ 477

Approved by the Board

Chairman

Director

(see accompanying notes)

STATEMENT OF INCOME AND RESERVE REFLECTING NET INVESTMENT IN CAPITAL ASSETS

	Year Ended December 31	
	2004	2003
	(thousands of dollars)	
Income		
Recoveries from corporations through levies	$ 711	$ 623
Interest	5	7
	716	630
Expenses		
Salaries and benefits (notes 2 (d) and 5)	488	447
Board remuneration and expenses	82	79
Rent	68	67
Depreciation	11	2
Automobile expense	8	8
Professional fees	8	4
Office supplies and printing	7	10
Telephone and courier	4	5
Equipment rental and maintenance	3	3
Industry conferences	2	0
Travel	2	2
Insurance and miscellaneous	2	1
Professional development	1	4
	686	632
Excess (deficit) of income over expenses	$ 30	$ (2)
Reserve reflecting net investment in capital assets, beginning of year	5	7
Reserve reflecting net investment in capital assets, end of year	$ 35	$ 5

(see accompanying notes)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

1. Nature of organization

The Crown Corporations Council (the "Council") is a body corporate established on June 5, 1989 under the Crown Corporations Public Review and Accountability Act.

The mandate of the Council is to facilitate clear mandates, development of performance measures and consistent practices and to review corporate plans of Crown corporations under its purview.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Outlined below are those principles considered particularly significant for the Council.

a) Recoveries of expenses from Crown corporations

Operating expenses are recovered from the Crown corporations through the assessment of levies allocated on a pro rata basis determined by the revenues of each Crown corporation. The levies are recognized in these financial statements at the time the related costs are incurred. In addition, certain direct costs incurred on behalf of particular corporations are recovered directly from the respective Crown corporations.

b) Reserve reflecting the net investment in capital assets

The purchase of capital assets is funded through operating expense levies assessed to Crown corporations. The reserve reflects levies assessed to the Crown corporations with respect to the Council's capital assets.

c) Capital assets

Capital assets are recorded at cost. Depreciation is provided on a straight line basis over five years on the office furniture and equipment and over three years on the computer equipment.

d) Retirement allowances and other employee future benefits

The Council provides retirement allowance and pension benefits to its employees.

Retirement allowances are provided to certain qualifying employees. The benefits are provided under a final pay policy. The costs of benefits earned by employees are charged to expenses as services are rendered. The costs are actuarially determined using the projected benefit method and reflect management's best estimates of the length of service, salary increases and ages at which employees will retire. In addition, adjustments arising from plan amendment, changes in assumptions, experience gains and losses, and the actuarial present value of the accrued entitlement as at January 1, 2000 are amortized to expenses on a straight line basis over the expected average remaining service life of the employee group.

Employees of the Council are provided pension benefits by the Civil Service Superannuation Fund ("the Fund"). Under paragraph 6 of the Civil Service Superannuation Act, the Council is described as a "matching employer" and its contribution toward the pension benefits is limited to matching the employees' contributions to the Fund. The cost for the year was $21,000 (2003 - $20,000).

In addition, one employee is entitled to enhanced pension benefits. The plan is based on best five year average pay and is partially indexed. The cost of the benefits earned by the employee is charged to expenses as services are rendered. The cost is actuarially determined using the projected benefit method and reflects management's best estimate of salary increases and the age at which the employee will retire.

e) Financial instruments

Financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, retirement allowances and other benefits payable, and due to Manitoba Crown corporations. Unless otherwise stated, it is management's opinion that the Council is not exposed to significant interest, currency, or credit risks arising from these financial instruments. Unless otherwise stated, the book value of the Council's financial assets and liabilities approximate their fair value.

f) Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual amounts could differ from those estimates.

3. Due to Manitoba Crown corporations

These amounts are non-interest bearing and represent a retroactive adjustment to levies based on Council's actual expenses.

4. Capital assets

These are comprised entirely of office furniture and equipment and computer equipment.

	December 31	
	2004	2003
	(in thousands of dollars)	
Cost		
Office furniture and equipment	$ 61	$ 58
Computer equipment	46	56
	$107	$114
Accumulated depreciation		
Office furniture and equipment	$ 56	$ 54
Computer equipment	16	55
	$ 72	$109
Net book value	$ 35	$ 5

During the year, capital assets primarily consisting of computer equipment were acquired in the amount of $41,000.

5. Retirement allowances and enhanced pension benefits

The Council measures its accrued benefit obligation for each of the retirement allowance and enhanced pension benefits as at December 31 of each year. The most recent actuarial valuation report was at December 31, 2001 and the next required valuation is as of December 31, 2004.

(a) Information about the Council's retirement allowance benefit plan is as follows:

	2004 $	2003 $
Accrued benefit obligation		
Balance, beginning of year	68	61
Current service cost	3	3
Interest cost	5	4
Accrued benefit obligation, December 31	76	68
Unamortized transitional amount, December 31	(26)	(29)
Accrued retirement allowance, December 31	50	39

The Council's retirement allowance expense consists of the following:

	2004 $	2003 $
Current service costs	3	3
Interest cost	5	4
Amortization of transitional amount	4	4
	12	11

The significant actuarial assumptions adopted in measuring the Council's retirement allowance obligation are as follows:

	2004 %	2003 %
Benefit costs for the year ended December 31		
Discount rate	6.75	6.75
Rate of compensation increase	4.50	4.50

(b) Information about the Council's enhanced pension benefit plan is as follows:

	2004 $	2003 $
Accrued benefit obligation and accrued pension liability		
Balance, beginning of year	36	25
Current service cost	14	9
Interest cost	3	2
Accrued benefit obligation and accrued pension liability, December 31	53	36

The Council's enhanced pension expense consists of the following:

	2004 $	2003 $
Current service costs	14	9
Interest cost	3	2
Employee contributions	(3)	(3)
Total enhanced pension expense	14	8

The significant actuarial assumptions adopted in measuring the Council's pension obligation are as follows:

	2004 %	2003 %
Benefit costs for the year ended December 31		
Discount rate	**6.75**	6.75
Rate of compensation increase	**4.50**	4.50

6. Lease commitments

The Council is committed under a premises lease expiring on April 30, 2005 to annual basic rental payments of approximately $32,400 and annual common area and operating costs of approximately $30,700. Council has entered into a new premises lease for a five year period, May 1, 2005 to April 30, 2010.

The lease payments excluding annual common area and operating costs are as follows:

Year	Base Rent
2005	$34,376
2006	$35,379
2007	$35,379
2008	$35,379
2009	$35,379
2010	$11,793

7. Statement of cash flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

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